

University of Windsor Employees' Retirement Plan

Understanding Your Annual Pension Statement



Background - Types of Plan Design

- Defined Benefit (DB)
 - Pension benefit at retirement based on a formula
 - Typically, a function of service and earnings
- Defined Contribution (DC) (or Money Purchase MPP)
 - Fixed contributions to an investment account
 - Account balance used to provide retirement benefits

The Employees' Plan is a Defined Benefit Plan



Basic Features – Employees' Plan Design

- **Defined Benefit Plan Design (DB)**
 - **Pensionable earnings** include base earnings, overtime, vacation pay, shift premium, and weekend premium; excludes sessional stipends
 - **Pensionable service** includes illness or injury absence, paid leaves, maternity/parental/adoption leaves, union leaves, new statutory leaves; excludes unpaid leaves.
 - **Part time service** determined using a ratio of regular hours worked during the period to standard full-time hours of 35
 - Example: 9 month FT = $35/35 \times 9/12 = .7500$ service per year
 - Example: 12 month PT = $24/35 = .6857$ of each year
 - Example: 9 month PT = $24/35 \times 9/12 = .5143$ of each year



Background – Types of Plan Funding

- Fixed Employee Contributions, Fixed University Contributions
 - Typically defined contribution
- Fixed Employee Contributions, Variable University Contributions
 - Typically defined benefit
- Variable Employee AND University Contributions
 - Referred to as a “Cost-sharing” or “Risk-sharing” arrangement



Basic Features – Employees’ Plan Funding

- Plan Funding is based on “Cost Sharing” with variable employee AND variable University contributions

Current contribution formula for 2023

- 9.0% on first \$3,500 of pensionable earnings plus
- 6.3% of the next pensionable earnings up to \$66,600 plus
- 9.0% of any remaining pensionable earnings
- Averages out at approximately 7.2%
- University matches all regular employee contributions
- Contributions not used in the monthly pension calculation.

If contributions and investment earnings do not fully fund the plan liabilities, contributions for both the University and the Employees would have to increase. This is determined by an actuarial valuation. Last valuation was performed at July 1, 2021. Next valuation July 1, 2024 at latest.



Your Pension Statement

An annual pension statement must provide the following information:

- Name of the plan and registration number
- Plan statement period
- Member name, ID#, birth date, hire date, Plan entry date
- Name of spouse and beneficiary
- Credited service to date
- Earnings used in calculation of monthly pension at Plan year end
- Statement of Account including the current year interest rate
- Estimated pension earned to Plan year end
- Estimated pension projected to Normal Retirement date
- Basic information on any government pension entitlements
- Normal Form of Pension (Life with a 5 year guarantee)
- Early retirement eligibility provisions
- Disability benefits (if any)
- Vesting (immediate)
- Termination options
- Pre-retirement death benefit
- Financial Position of the Plan & Other Pension Documentation
- Discontinuance of the Plan
- Errors and Omissions



Your Pension Statement

- Must be issued once per year, within six months of plan year end
 - Plan year July 1st through June 30th
- Your annual pension statement is a “snapshot” at a fixed point in time

Personal Member Information Section

- Member name, ID #, date of birth, date of hire, date of Plan entry
- Province of Employment: Ontario
- Normal Retirement Date
 - First day of the month following attainment of age 65
- Date Eligible for Early Retirement
 - Earliest eligible date – 10 years prior to NRD
- Spouse, Beneficiary
 - Per Ontario Pension regulations, spouse automatic beneficiary
 - Spouse can waive pre-retirement entitlement via FSRA Form 4
- Best Average Earnings: highest 60 consecutive months pensionable earnings to Plan year end date
- Pensionable Service (years and part years) to Plan year end date
 - Can be affected by part years of service, unpaid leaves, maternity/parental leaves and statutory leaves



Sample Personal Member Information Section



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University of Windsor Employees' Retirement Plan Registration Number: 0310573

Annual Pension Benefit Statement for the period July 1, 2022 to June 30, 2023

This personal Pension Benefit Statement summarizes the main features of your Pension Plan and reports specific details of your position in the Plan at June 30, 2023. This statement has been prepared from information in our pension records, and it should be reviewed carefully and filed for future reference. If you believe any of the information is incorrect, please report this to the Office of Pensions & Benefits, in the Department of Human Resources immediately.

Member Information as at June 30, 2023:

Member's Name:	JOHN STATEMENT	Province: Ontario
Employee ID #:	12345	Beneficiary(s): JANE STATEMENT
Date of Birth:	March 2, <u>1964</u>	Spouse: JANE STATEMENT
Date of Employment:	January 17, 2008	
Date of Registration (Plan Entry):	April 1, 2008	
Normal Retirement Date:	April 1, 2029	Best Average Earnings: \$73,478.43
Date Eligible for Early Retirement:	April 1, 2019	Pensionable Service: 15.1619 Years



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Your Pension Statement

Statement of Accounts Section

- Member Contributions Without Interest balance at last day of prior Plan year

PLUS

- Member current year contributions
 - Could include contributions on retroactive pays

PLUS

- Credited Interest on prior year and current year contributions
 - Full return rate applied on opening balances and one-half the return applied on current year contributions

EQUALS

- Member Contribution Account balance at last day of statement Plan year

Rate of Credited Interest for statement Plan year is 3.42 % (2022/2023)



Statement of Accounts Section

Statement of Accounts

	Contributions Without Interest	Credited Interest	Contributions With Interest	Past Service Contributions
Balance as <u>at</u> June 30, 2022	\$66,791.66	\$6,338.25	\$73,129.91	0.00
Current Year	\$4,790.60	\$2,582.96	\$7,373.56	0.00
Balance as <u>at</u> June 30, 2023	\$71,582.26	\$8,921.21	\$80,503.47	0.00

The rate of credited interest applied to the Account balances for the year ending June 30, 2023 is **3.42%**



Your Pension Statement

Retirement Income Projections Section

Defines the pension benefit formula at retirement

Estimated Monthly Pension earned to Plan year end date, payable at NRD

- Based on actual pensionable service and best average earnings of your 60 consecutive months at the Plan year end.
- Uses the BAE and Pensionable Service shown on the statement.

Estimated Monthly Pension projected to your Normal Retirement Date

- Uses most current base salary if NRD greater than 60 months away, if greater than your accrued 60 months of pensionable earnings
- OR - highest 60 months pensionable earnings if NRD is within 60 months
 - Can be combination
 - » i.e. NRD July 1, 2025
 - » Base salary at July 1, 2023 x 2 years plus highest 36 consecutive months pensionable earnings already accrued, if higher than last 60 months pensionable earnings
 - » Various calculations to determine highest average



Your Pension Statement

- ***Estimated Monthly Pension earned as of June 30, 2023, payable at Normal Retirement Date of April 1, 2029*** **\$1,528.28**
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From Sample Pension Statement – Earned to Date

- Calculated BAE at Plan year end = \$73,478.43
- BAYMPE = \$52,000 (best 60 months CPP pensionable earns)
- $YOS \times [(0.015 \times \$52,000) + (0.02 \times (\$73,478.43 - \$52,000))] / 12 \text{ months}$
- $15.1619 \times (780 + 429.57) / 12 = \$1,528.28$



Your Pension Statement

- **Estimated Monthly Pension projected to your Normal Retirement Date of April 1, 2029** **\$2,108.14**
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From Sample Pension Statement – Earned to Date with Projection to NRD

- Calculated BAE at Plan year end projected to NRD = \$73,748.43
- YMPE = \$52,000
- $YOS \times [(0.015 \times \$52,000) + (0.02 \times (\$73,748.43 - 52,000))] / 12 \text{ months}$
- $[(15.1619 + 5.75) \times (780 + 429.57)] / 12 \text{ months}$
- $20.9119 \times 1,209.57 / 12 = \$2,107.87$ per month payable at age 65, or \$25,294.41 per year
- (small variances are due to the pension system using exact number of days vs. a monthly division)



Your Pension Statement

Government Pension Benefits

- Required to include per pension regulations
- Your UWindsor pension is not impacted by the government plans
- Request a CPP Statement of Contributions from Service Canada
 - <http://www.servicecanada.gc.ca>

Normal Form of Pension – Life Guaranteed Five (5) years

- Result of initial formula calculations
- Payable for your lifetime, and for 60 months at a minimum
- Other forms available on an actuarial equivalent basis

Disability Benefits

- Special provision if disabled, must meet certain criteria
- If eligible, can begin pension as early as age 55 with no actuarial reductions

Early Retirement

- Earliest age 55
- Pension calculated on service & BAE with an actuarial reduction of 6% for each year from age 55 to 59 and 4% per year for each year from age 60 – 65
- NEW 2023 provision allows for unreduced pension at age 63 with 25 years of pensionable service
- Early retirement estimates can be modelled in the Pension Estimator



Your Pension Statement

Vesting

- Plan provides immediate vesting (ownership) of all member AND employer contributions

Termination of Employment

- Full cash refund option is only available to members with an annual pension of less than 4% of the current YMPE (\$2,664 or \$122 per month)
- In some cases, in lieu of cash (less tax), funds can be transferred to an RRSP providing you have the RRSP available room. Proof of room is required
- Termination estimates can be modelled in the Pension Estimator

Pre-Retirement Death Benefit

- Outlines options for disbursement in the event of your death
- Spouse may elect an immediate or deferred monthly pension
- Spouse may also transfer the value to an RRSP, RRIF on a tax deferred basis, locked-in. Does not affect spousal RRSP room
- Spouse may elect cash less tax
- All other beneficiaries have cash option only (taxable)



Your Pension Statement

Financial Position of the Plan

- Provides details of the financial status of the Plan as of the most recent actuarial valuation as compared to the financial status of the previous valuation year
- Provides an estimate of the financial position at statement date
- Provides information of how Plan surplus (if any) would be distributed or addressed

Other Pension Documentation

- Information required to be disclosed in accordance with the Pension Benefits Act
- Information on the Plan's investment policies and procedures

Discontinuance of the Plan

- Provides details of what happens to the fund assets in the unlikely event of Plan discontinuance

Errors and Omissions

- The Pension Statement in itself is not legally binding
- The University reserves the right to correct any errors in your pension records. These records are used to prepare Annual Pension Statements as well as Pension Estimates in the Planner, and Pension documents on end of employment, retirement or death



Employees' Pension Plan

Stay tuned....coming in the near future

- Annual Open Pension Meeting
November 14th, 2023 (3:30-4:30pm) Toldo Health Education Centre, Rm 203 or via Teams
- Upcoming pension sessions:
 1. Using the Pension Estimator – Friday, February 16, 2024 (1:00-2:30pm)
 2. Choosing Normal and Optional Forms of Pension at Retirement – Friday, April 5 2024 (1:00-2:30pm)
 3. Pre-Retirement Planning Seminar– Friday, May 10, 2024 (1:00-4:00pm)
- Other pension information available on the HR website
 1. Pension Plan Text
 2. Pension Plan Valuations
 3. Pension Plan Financial Statements
 4. Statement of Investment Policies and Procedures
 5. 2005 – 2020 Annual Open Pension Meeting presentations
 6. FAQ's and more!

Visit www.uwindsor.ca/humanresources/faculty-staff/pensions



Questions?



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Thank you for attending this session

